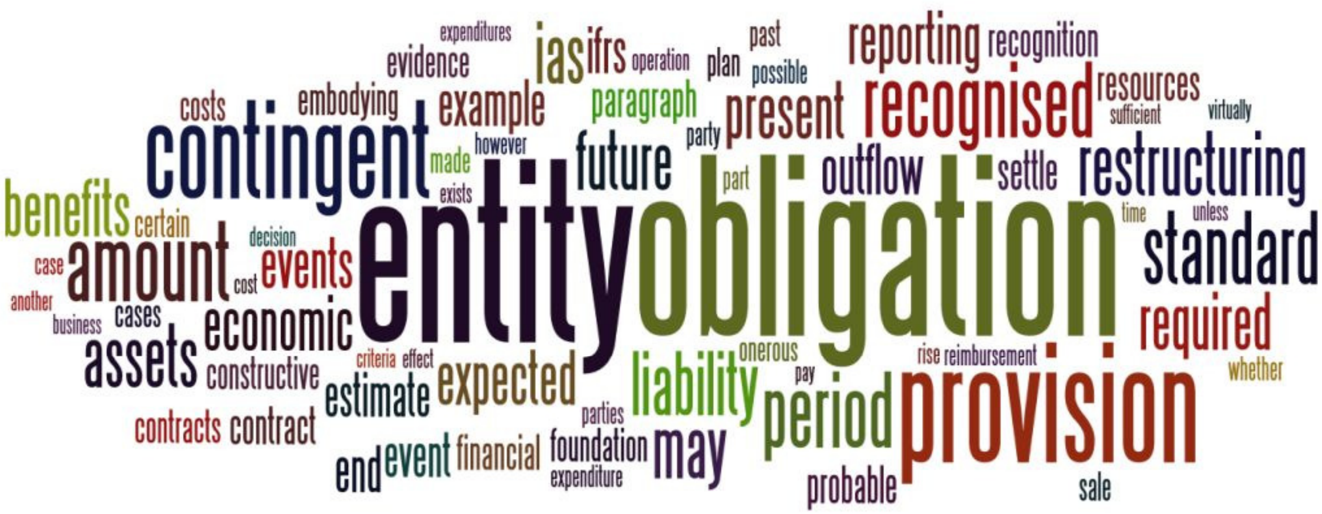
INDian Accounting Standards

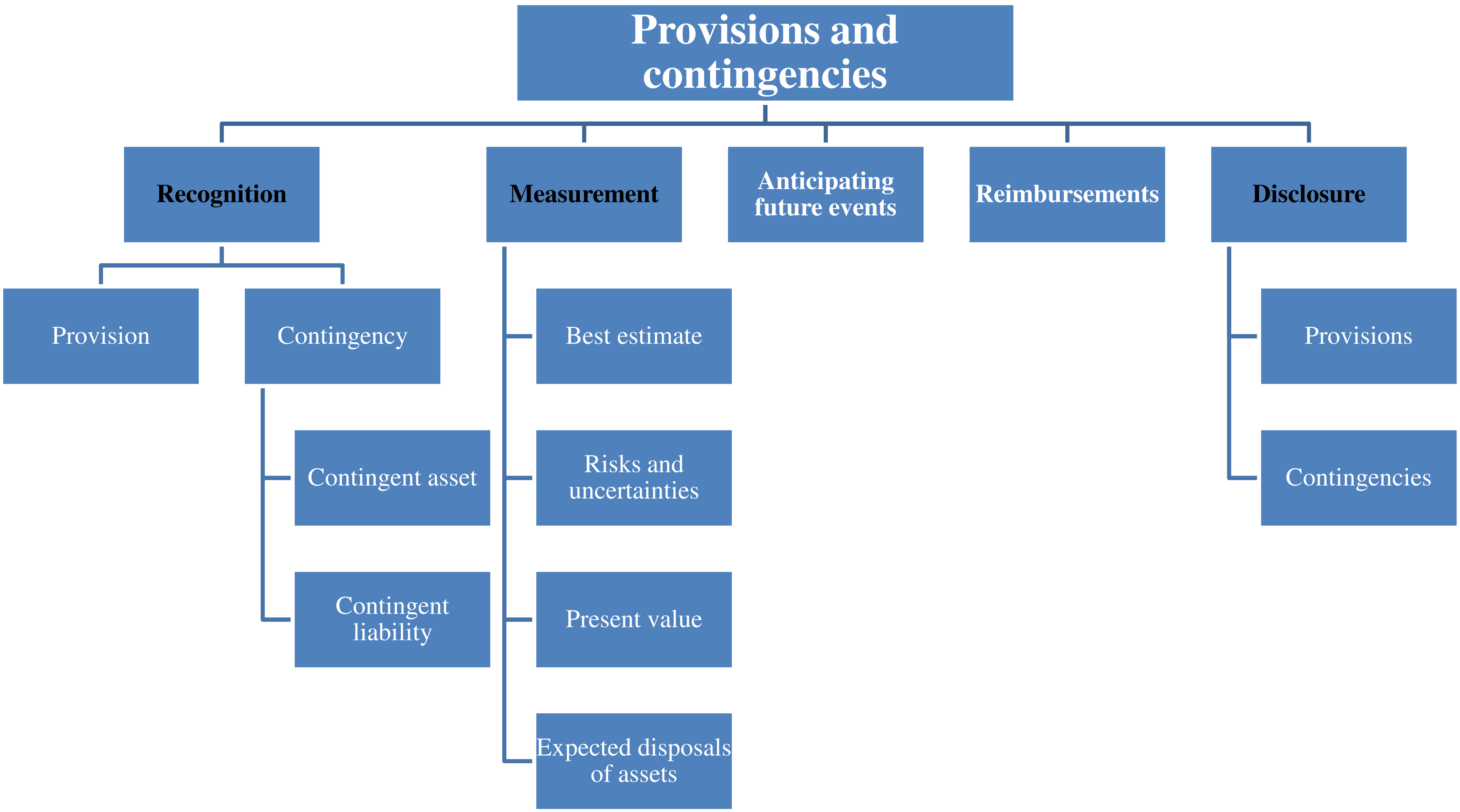


Ind AS 37

Provisions, contingent liabilities and contingent assets

Applicable pronouncements

Ind AS 37 – Provisions, Contingent Liabilities and Contingent Assets;


Provisions and contingencies
Recognition
Measurement
Anticipating future events
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Contingent asset
Contingent liability
Best estimate
Risks and uncertainties
Present value
Expected disposals of assets
Provisions
Contingencies

Currently effective requirements

- A provision is recognised for a legal or constructive obligation arising from a past event, if there is a probable outflow of resources and the amount can be estimated reliably. Probable in this context means more likely than not.
- A constructive obligation arises when an entity's actions create valid expectations of third parties that it will accept and discharge certain responsibilities.
- A reimbursement right is recognised as a separate asset when recovery is virtually certain, capped at the amount of the related provision.
- A provision for restructuring costs is not recognised until there is a formal plan and details of the restructuring have been communicated to those affected by the plan.
- Provisions are not recognised for repairs or maintenance of own assets or for self-insurance prior to an obligation being incurred.
- A provision is recognised for a contract that is onerous, i.e. one in which the unavoidable costs of meeting the obligations under the contract exceed the benefits to be derived.
- Contingent liabilities are present obligations with uncertainties about either the probability of outflows of resources or the amount of the outflows, and possible obligations whose existence is uncertain.
- Contingent liabilities are not recognised except for contingent liabilities that represent present obligations in a business combination.
- Contingent assets are not recognised in the statement of financial position. If an inflow of economic benefits is probable, then details are disclosed in the notes.

Objective

The objective of this Standard is to ensure that appropriate <u>**recognition**</u> *criteria* and <u>**measurement**</u> *bases* are applied to provisions, contingent liabilities and contingent assets and that sufficient information is <u>**disclosed**</u> in the notes to enable users to understand their nature, timing and amount.

Scope

This Standard shall be applied by all entities in accounting for provisions, contingent liabilities and contingent assets, except:

(a) those resulting from executory contracts, except where the contract is onerous; and

(b) those covered by another Standard.

This Standard does not apply to financial instruments (including guarantees) that are within the scope of Ind AS 109 Financial Instruments.

Executory contracts are contracts under which neither party has performed any of its obligations or both parties have partially performed their obligations to an equal extent. This Standard does not apply to executory contracts unless they are onerous.

Definitions

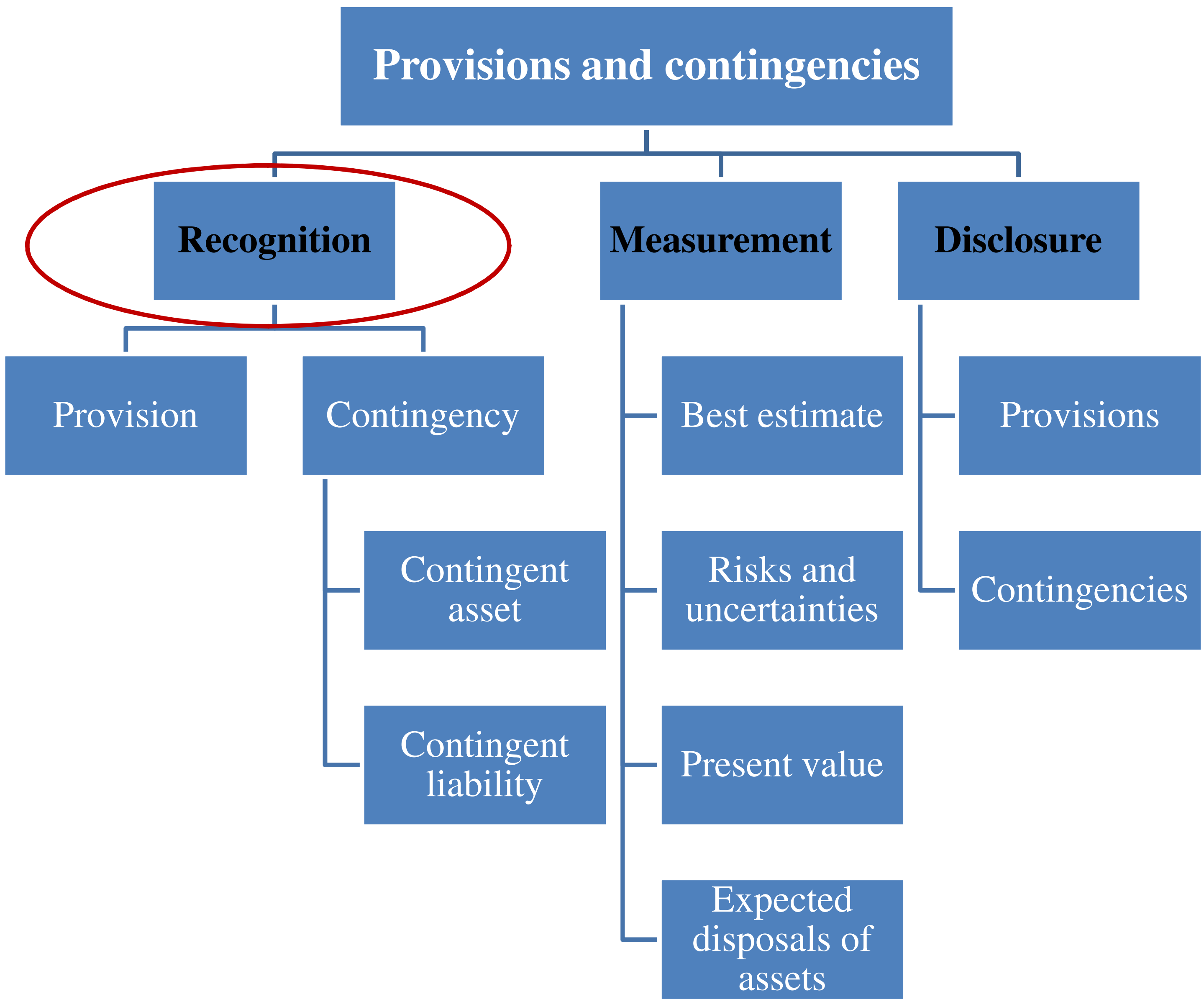
Sl. No	Term	Definition
1	Provision	A provision is a liability of uncertain timing or amount.
2	Liability	A liability is a **present obligation** of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.
3	Obligating event	An obligating event is an event that creates a legal or constructive obligation that results in an entity having no realistic alternative to settling that obligation.
4	Legal obligation	A legal obligation is an obligation that derives from: (a) a contract (through its explicit or implicit terms); (b) legislation; or (c) other operation of law.
5	Constructive obligation	A constructive obligation is an obligation that derives from an entity's actions where: (a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities; and (b) as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Definitions

Sl. No	Term	Definition
6	Contingent liability	(a) **a possible obligation** that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; **or** (b) **a present obligation** that arises from past events but is not recognised because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability.
7	Contingent asset	A contingent asset is a **possible asset** that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.
8	Onerous contract	An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Scope

Type of transaction	In scope	Out of scope	Standard
Restructuring costs	*		
Environmental penalties	*		
Decommissioning costs	*		
Product warranties	*		
Legal claims	*		
Reimbursement rights	*		
Future operating costs	*		
Onerous contracts	*		
Repairs and maintenance costs	*		
Provision for depreciation / doubtful debts		*	
Executory contracts		*	
Construction contracts		*	Ind AS 11
Income taxes		*	Ind AS 12
Leases		*	Ind AS 17
Employee benefits		*	Ind AS 19
Insurance contracts		*	Ind AS 104
Contingent liabilities in business combinations		*	Ind AS 103
Financial instruments (including financial guarantees)		*	Ind AS 109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Provisions and other liabilities

- Uncertainty about the timing or amount of the future expenditure;
- Why the distinction needs to be drawn?

Primarily because of disclosures involved. (June 2005 amendments to Ind AS 37)

Provisions and contingent liabilities

- In a general sense, all provisions are contingent because they are uncertain in timing or amount. However, within this Standard the term ‘contingent’ is used for liabilities and assets that are not recognised because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. In addition, the term ‘contingent liability’ is used for liabilities that do not meet the recognition criteria.

Bird’s eye view

Particulars	Present obligation	Probability of payment	Amount to be paid	When to be paid
Liability	Yes	Yes	Yes	Yes
Provision	Yes	Yes	?	Yes
Provision	Yes	Yes	Yes	?
Contingent liability	No	Yes	Yes	Yes
Contingent liability	Yes	No	Yes	Yes
Remote	No	No	Yes	Yes

Provisions and contingent liabilities

Provisions	**Contingent liabilities**
Provisions – which are recognised as liabilities (assuming that a reliable estimate can be made) because they are **present obligations** and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations.	Contingent liabilities – which are not recognised as liabilities because they are either: (i) **possible obligations**, as it has yet to be confirmed whether the entity has a present obligation that could lead to an outflow of resources embodying economic benefits; or (ii) **present obligations** that do not meet the recognition criteria in this Standard (because either it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or a sufficiently reliable estimate of the amount of the obligation cannot be made).

Recognition - *Provision*

A provision shall be recognised when:

a) **an entity has a present obligation (legal or constructive) as a result of a past event**;

b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

c) a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no provision shall be recognised.

Present obligation

- Both legal obligation and contructive obligation;
- Legal obligation is fairly straight forward – Obligation that derives from a contract, legislation or other operations of law;
- Constructive obligation – Established pattern of past practice **and** a *valid expectation is created on the part of those parties that will discharge those responsibilities.*

Constructive obligation - examples

- An entity in the oil industry operates in a country with no environmental legislation. However, it has a widely published environmental policy in which it undertakes to clean up all contamination that it causes and has a record of honouring the published policy. During the period the entity has caused contamination to some land in the country.
- A retail store has a generally known policy of refunding purchases by dissatisfied customers, even though it is under no obligation to do so.

Present obligation

In rare cases it is not clear whether there is a present obligation. In these cases, a past event is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the end of the reporting period.

(Question of law)

If it is not clear – more likely than not evaluation

Past event

- Obligating event – the event that creates legal or constructive obligation and that results in an entity having no realistic alternative to settle the obligation. This is the case only:
  - where the settlement of the obligation can be enforced by law; or
  - in the case of a constructive obligation, where the event (which may be an action of the entity) creates valid expectations in other parties that the entity will discharge the obligation.
- The standard emphasises that the financial statements deal with financial position of an entity at the end of the reporting period, not its possible position in the future period.
- Where details of a proposed new law have yet to be finalised, an obligation arises only when the legislation is virtually certain to be enacted as drafted.

Example

- The government introduces a number of changes to the income tax system. As a result of those changes, an entity in the financial services sector will need to retrain large proportion of its administrative staff in order to ensure compliance with financial services regulations. At the end of the reporting period, no training has taken place.

Obligation must exist independently of entity's future actions

- Under new legislation, an entity is required to fit smoke filters to its factories by 30 June 20X1. The entity has not fitted the smoke filters.
- At 31 December 20X0, the end of the reporting period - ??
- At 31 December 20X1, the end of the reporting period - ??

Will the answer be different if, as at December 2011, it is evaluated that outflow of economic resources in the form of penalties is not probable ??

Identity of the party to whom the obligation is owed

- An obligation always involves another party to whom the obligation is owed. <u>It is not necessary, however, to know the identity of the party to whom the obligation is owed</u> - indeed the obligation may be to the public at large. Because an obligation always involves a commitment to another party, it follows that a management or board decision does not give rise to a constructive obligation at the end of the reporting period unless the decision has been communicated before the end of the reporting period to those affected by it in a sufficiently specific manner to raise a valid expectation in them that the entity will discharge its responsibilities.

Recognition - *Provision*

A provision shall be recognised when:

a) an entity has a present obligation (legal or constructive) as a result of a past event;

b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

c) a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no provision shall be recognised.

Probable that outflow of resources will be required

- Probable = more likely than not;
- The term probable is not defined any where;
- More likely than not = greater than 50%

Recognition - *Provision*

A provision shall be recognised when:

a) an entity has a present obligation (legal or constructive) as a result of a past event;

b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

c) a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no provision shall be recognised.

Reliable estimate

- The standard takes a view that sufficiently reliable estimate can almost always be made for provision

  The use of estimates is an essential part of the preparation of financial statements and does not undermine their reliability. This is especially true in the case of provisions, which by their nature are more uncertain than most other items in the statement of financial position. Except in extremely rare cases, an entity will be able to determine a range of possible outcomes and can therefore make an estimate of the obligation that is sufficiently reliable to use in recognising a provision. **(paragraph 25)**

Contingencies

- Contingent asset and contingent liabilities;
- Both contingent assets and liabilities are not recognised in the books of account. They are only disclosed;
- Contingent assets are disclosed, only if the inflows are probable.

Contingent liabilities

- a **possible obligation** that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a **present obligation** that arises from past events but is not recognised because:

  (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liability – instance 1

Paragraph 16

- In almost all cases it will be clear whether a past event has given rise to a present obligation. In rare cases, for example in a lawsuit, it may be disputed either whether certain events have occurred or whether those events result in a present obligation. In such a case, an entity determines whether a present obligation exists at the end of the reporting period by taking account of all available evidence, including, for example, the opinion of experts. The evidence considered includes any additional evidence provided by events after the reporting period. On the basis of such evidence:
  - where it is more likely than not that a present obligation exists at the end of the reporting period, the entity recognises a provision (if the recognition criteria are met); and
  - where it is more likely that no present obligation exists at the end of the reporting period, the entity discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote

Contingent liability – instance 2

Paragraph 23

- For a liability to qualify for recognition there must be not only a present obligation but also the probability of an outflow of resources embodying economic benefits to settle that obligation. For the purpose of this Standard,* an outflow of resources or other event is regarded as probable if the event is more likely than not to occur, ie the probability that the event will occur is greater than the probability that it will not.

Contingent liability – instance 3

Paragraph 26

- In the extremely rare case where no reliable estimate can be made, a liability exists that cannot be recognised. That liability is disclosed as a contingent liability.

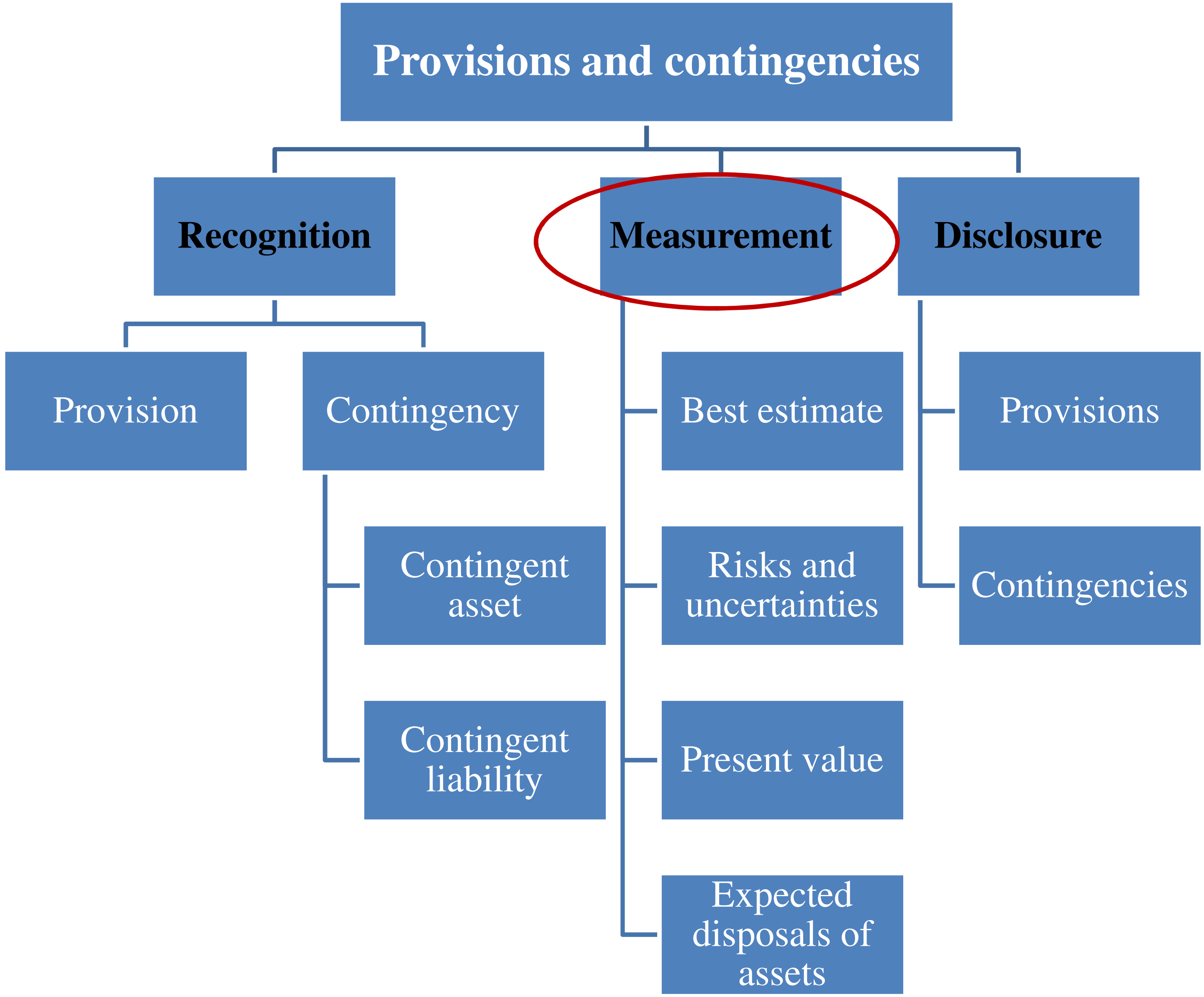
Contingent asset

- A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity;
- Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. An example is a claim that an entity is pursuing through legal processes, where the outcome is uncertain.
- Contingent assets are not recognised in financial statements since this may result in the recognition of income that may never be realised. However, when the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.
- **A contingent asset is disclosed, where an inflow of economic benefits is probable (paragraph 34).**

Tabular depiction

Likelihood of outcome	Contingent liability	Contingent asset
Virtually certain (greater than 95% probability)	Recognise the provision	Recognise the asset
Probable (50% - 95% of probability)	Recognise the provision	Disclose about the contingent asset
Possible but not probable (5% - 50% of probability)	Disclose the contingency	No disclosure **permitted**
Remote (less than 5% probability)	No disclosure **required**	No disclosure **permitted**

Can an asset be recognised simultaneously while recognizing the provision?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Measurement

- ***Best estimate provision***

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

The amount that an entity would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time

(Management's judgment + Experience in similar transaction + reliance on experts)

Single most likely outcome (or) expected value method

Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities. The name for this statistical method of estimation is 'expected value'. The provision will therefore be different depending on whether the probability of a loss of a given amount is, for example, 60 per cent or 90 per cent. Where there is a continuous range of possible outcomes, and each point in that range is as likely as any other, the mid-point of the range is used.

Measurement - example

- An entity sells goods with a warranty under which customers are covered for the cost of repairs of any manufacturing defects that become apparent within the first six months after purchase. If minor defects were detected in all products sold, repair costs of 1 million would result. If major defects were detected in all products sold, repair costs of 4 million would result. The entity's past experience and future expectations indicate that, for the coming year, 75 per cent of the goods sold will have no defects, 20 per cent of the goods sold will have minor defects and 5 per cent of the goods sold will have major defects. In accordance with paragraph 24, an entity assesses the probability of an outflow for the warranty obligations as a whole.
- The expected value of the cost of repairs is:

- Explain the provisions under US GAAP

  If some amount within a range of loss appears at the time to be a better estimate than any other amount within the range, that amount shall be accrued. When no amount within the range is a better estimate than any other amount, however, the minimum amount in the range shall be accrued. Even though the minimum amount in the range is not necessarily the amount of loss that will be ultimately determined, it is not likely that the ultimate loss will be less than the minimum amount

Measurement

- ***Risk and uncertainty***

  The risks and uncertainties that inevitably surround many events and circumstances shall be taken into account in reaching the best estimate of a provision.

  Risk describes variability of outcome. A risk adjustment may increase the amount at which a liability is measured. Caution is needed in making judgements under conditions of uncertainty, so that income or assets are not overstated and expenses or liabilities are not understated. However, uncertainty does not justify the creation of excessive provisions or a deliberate overstatement of liabilities. For example, if the projected costs of a particularly adverse outcome are estimated on a prudent basis, that outcome is not then deliberately treated as more probable than is realistically the case. Care is needed to avoid duplicating adjustments for risk and uncertainty with consequent overstatement of a provision.

Measurement

- ***Discounting***

  Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation.

  The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. The discount rate(s) shall not reflect risks for which future cash flow estimates have been adjusted.

  Generally the discounting impact is often seen in making the provisions for decommissioning and environmental obligations.

Anticipating future events that may effect the cash flows

- Future events that may affect the amount required to settle an obligation shall be reflected in the amount of a provision where there is sufficient <u>objective evidence</u> that they will occur.
- Expectation has to be reasonable;
- Expectation has to be rational;
- The effect of possible new legislation is taken into consideration in measuring an existing obligation when sufficient objective evidence exists that the legislation is virtually certain to be enacted.

Reimbursements and recoveries

- Examples are insurance contracts, indemnity clauses, and suppliers' warranties;
- A reimbursement asset is recognised only when it is **virtually certain** to be received if the entity settles the obligation;
- Netting off is permitted in the income statement;
- Netting off is not permitted in the balance sheet;

Reimbursements

- ✓For example, one of Company M's customers has established a claim against M for 300 in respect of a defective product that the customer purchased from M. M can recover the cost of the defect and a penalty of 12 percent from the supplier. The supplier has confirmed that it will pay 336 (300 + (300 x 12%)) to M as soon as M has paid the customer. M should recognise a provision for the claim of 300. Since the reimbursement is virtually certain it should be recognised as a separate asset. However, the amount recognised should not exceed the amount of the provision recognised for the claim, i.e. 300. The expense and the reimbursement may be netted in the statement of comprehensive income; however, the asset and the provision are not netted in the statement of financial position and are presented gross. M discloses the unrecognised reimbursement of 36 in the notes to the financial statements.

Reimbursements and recoveries

An entity had a provision for a legal case that was in progress at the year end. Also at the year end the entity was negotiating with its insurance company for reimbursement of the amount to be paid out in the legal case, although there was general agreement with the insurance company that reimbursement would be made if the entity lost the legal case. While the final amount of the reimbursement from the insurer was not agreed at the year end, it is very likely that the amount to be paid in the legal case would be incurred after the year end and the reimbursement agreed with the insurer before the financial statements are approved. If this happens should the asset for the reimbursement be included in the financial statements for the year?

The asset should be recognised in the financial statements provided it is virtually certain at the balance sheet date that reimbursement will be received if the entity settles the obligation. [Ind AS 37 para 53]. The post year end settlement of the court case confirms the amount of the liability that should be recognised at the balance sheet date. Ind AS 10 gives as an example of an adjusting event the settlement after the balance sheet date of a court case that confirms that the entity had a present obligation at the balance sheet date. [Ind AS 10 para 9(a)]. In the same way as a liability would be recognised at the balance sheet date on the basis of post year end evidence that confirms its existence, the related reimbursement asset should be recognised if it is virtually certain to be received.

Joint and several liability

- Where an entity is jointly and severally liable for an obligation, *the part of the obligation that is expected to be met by other parties is treated as a contingent liability*. The entity recognises a provision for the part of the obligation for which an outflow of resources embodying economic benefits is probable.
- Explain how joint and several liability would be recorded if it were to be treated as a reimbursement.

Changes and uses of provisions

- Provisions shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed.

Contingent liabilities in business combinations

- The requirements in Ind AS 37 do not apply in determining which contingent liabilities to recognise as of the acquisition date. Instead, the acquirer shall recognise as of the acquisition date a contingent liability assumed in a business combination if it is a present obligation that arises from past events and its fair value can be measured reliably.

- a **possible obligation** that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a **present obligation** that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

Specific examples

- ***Entities should not provide for future operating losses* –** As there is no past event; Ind AS 36 impairment
- ***Restructuring provisions***

  Programme that is planned and controlled by the management and materially changes either:

  - ✓ The scope of business; or
  - ✓ The manner in which the business is conducted

  This is said to include:

  - ❖ Sale or termination of line of business;
  - ❖ Closure of business locations in a country or location or relocation of business activities from one country to another;
  - ❖ Changes in the management structure;
  - ❖ Fundamental reorganisations that have material effect on the nature and focus

  Provision shall be recorded in the books when the company is obligated to pay – That is:

  - ▪ Has a detailed formal plan; and
  - ▪ Has raised valid expectation in those affected that it will carry out restructuring (by announcing the main features of the plan)

  Provision shall include only the direct expenses associated with restructuring and does not include retraining or relocating the continuing staff, marketing cost or cost of investment in the new systems

Specific examples

- ***Onerous contracts***

  If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

  This Standard defines an onerous contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

  Unavoidable costs – interpreted to include only the variable component of the cost.

  Benefits – direct and indirect benefits (matter of debate). Indirect benefits shall also be considered. The reason for this is that no entity is in business to lose money and as such ‘day 1’ onerous contracts should not exist.

Specific examples

- ***Onerous contracts***

  In general, contracts should be assessed in their entirety. An onerous contract provision should not be recognised for a period shorter than the remaining contract terms.

  However, it is worth noting that provision for the onerous part should be recognised if, and only if, both of the following criteria are met:

  1 The onerous and non-onerous portions are clearly identifiable and separable under the operating lease contract. In determining whether the onerous portion is identifiable and separable, it is necessary to consider whether the one contract could reasonably at inception have been agreed as a number of separate contracts. Any interdependency between the elements of the contract would indicate that the contract is not separable.

  2 The unavoidable costs and future economic benefits can be allocated on a reliable basis to the various elements of the contract.

Specific examples

- ***Onerous contracts***

  Example 1

  An entity has a contract to purchase one million units of gas at 23c per unit giving a contract price of C230,000 and the current market price for a similar contract is 16c per unit giving a price of C160,000. The gas will be used in generating electricity and the electricity will be sold at a profit.

  Example 2

  The contract's terms are the same as in example 1, as is the market price. However, when the gas is used to generate electricity, the high cost of the gas means that the electricity is sold at a loss and the entity makes an overall operating loss. (It is assumed that all the gas used by the entity to generate electricity is purchased under the contract.)

Specific examples

- ***Onerous contracts***

  <u>Operating leases</u>

  Where leased property is abandoned and there is no prospect to sub-lease, determining the necessary provision for the contract is fairly straightforward. However, where entities continue to occupy leased property, or where sub-lease opportunities exist a number of complications can arise.

  <u>Example 1</u>

  An entity has a 10 year lease on the head office property of one of its trading operations at a rental of C50,000 per annum. The market rent is C30,000 per annum. The property is used in the business and the business is profitable.

  In this situation the lease is not onerous, because the economic benefits are assumed to include those that derive from the asset's use in the entity's continuing business.

  <u>Example 2</u>

  The entity has the same lease as in example 1 and the property is used in the business, but the business is loss making.

Specific examples

- ***Decommissioning costs***

  Initial recognition (Ind AS 16);

  Subsequent changes

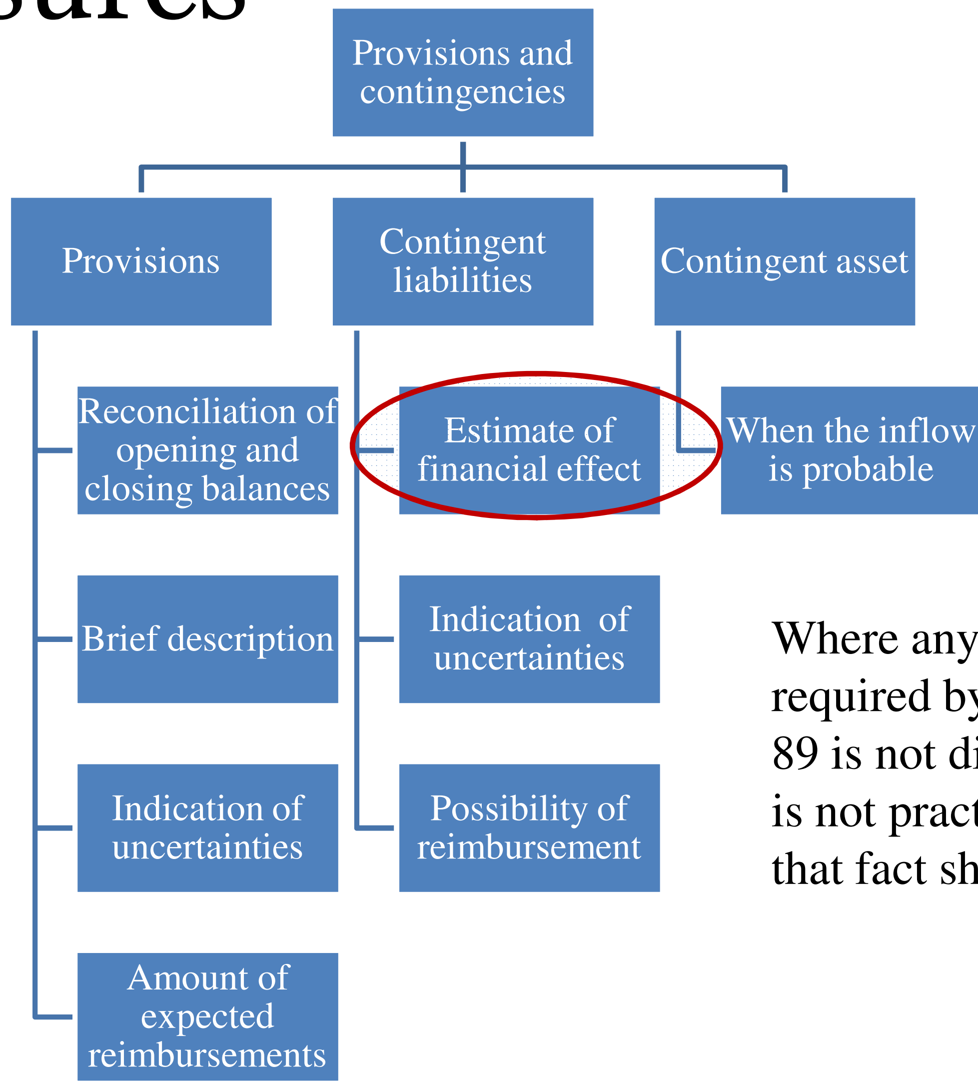
  - Changes due to change in possible outflows;
  - Changes due to change in the interest rates; and
  - Changes due to change in the passage of time

- ***Warranty costs***

  Recognised using the expected value approach;

  (ask a question on recognition of warranty costs – Reduction from revenue or cost)

Disclosures



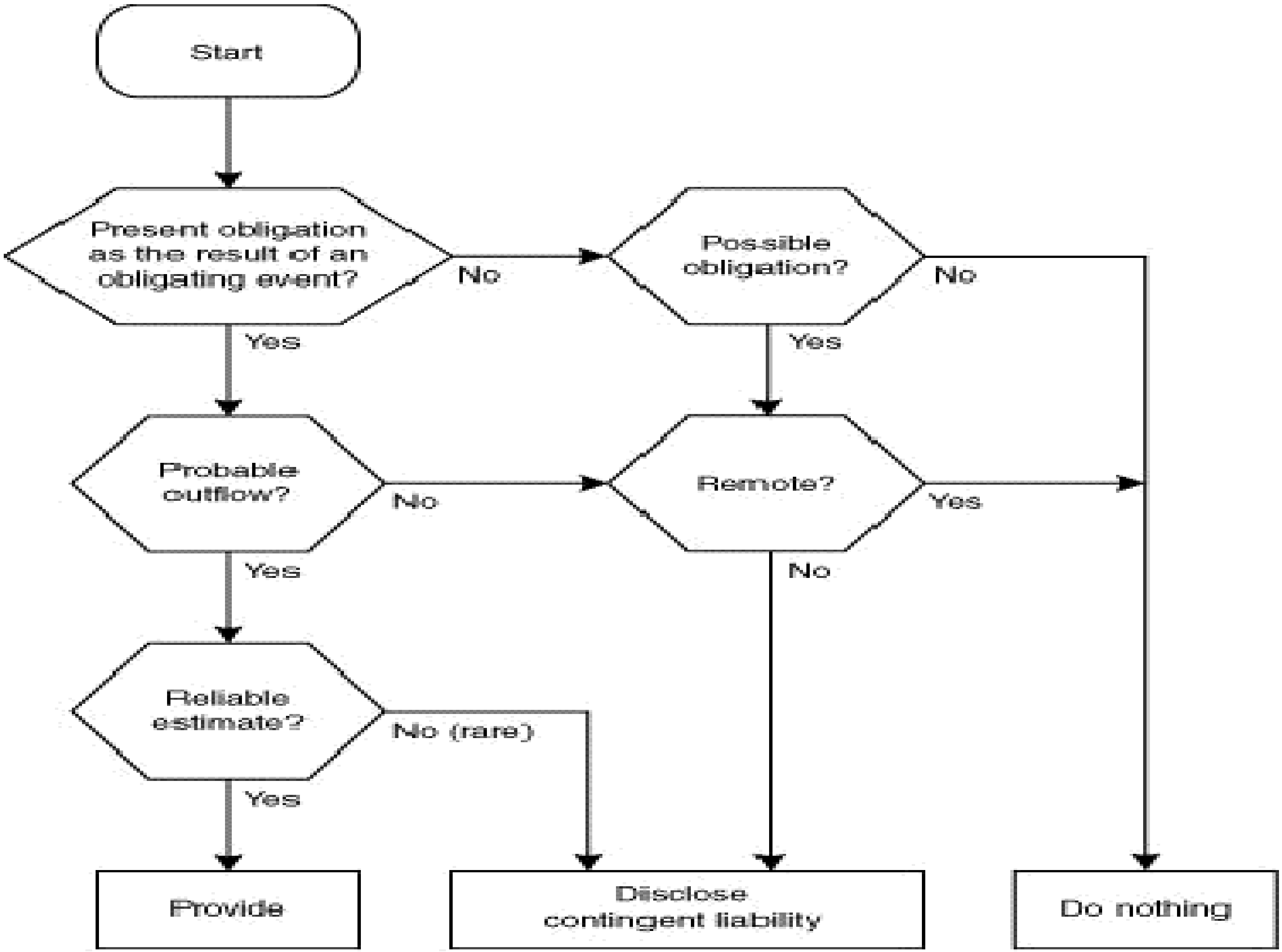
Where any of the information required by paragraphs 86 and 89 is not disclosed because it is not practicable to do so, that fact shall be stated.

Disclosures

- In extremely rare cases, disclosure of some or all of the information required by paragraphs 84–89 can be expected to prejudice seriously the position of the entity in a dispute with other parties on the subject matter of the provision, contingent liability or contingent asset. In such cases, an entity need not disclose the information, but shall disclose the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed.

Continued recognition and reversal

Payables, provisions, disclosed contingencies and remote contingencies lie on a spectrum and an obligation might move between all four categories. At one extreme where an obligation arising is **remote**, no disclosure is made in the financial statements. When the obligation becomes **less remote**, it requires the disclosure as a contingent liability. When the obligation becomes **probable**, it is required to be recognised and provided for in the financial statements. When the liability becomes **certain**, it would move away from being treated as provision and become a payable.



Start
Present obligation as the result of an obligating event?
No
Possible obligation?
No
Yes
Yes
Probable outflow?
No
Remote?
Yes
Yes
No
Reliable estimate?
No (rare)
Yes
Provide
Disclose contingent liability
Do nothing